

Common – Follow-up Post Paris Agreement relevant to maritime transport/Maritime Issues – Internal regulation on gas emissions: EU amendments to MRV rules possibly leading to an inclusion of maritime transport into the EU-ETS?

Andrea Antolini Former Researcher JTTRI

【概要 : Summary】

International shipping is responsible for about 2% to 3% of global GHG. Under a business-as-usual scenario, these emissions could further increase between 50% and 250% by 2050, according to the International Maritime Organisation (IMO)'s findings. Therefore, the IMO's Marine Environment Protection Committee (MEPC) 72 adopted the initial strategy on GHG emission reduction for international shipping in April 2018. Based on this development at IMO level, the EU's regulation on the monitoring, reporting and verification of CO2 emissions from maritime transport (Regulation (EU) 2015/757) needs to be amended and aligned with the IMO's system of monitoring, reporting and verifying the GHG emissions of large ships. This would also provide momentum for defining effective commitments at EU-level.

The amendments to the regulation might also require measures going beyond the MRV system. Meanwhile, the European Parliament's Environment, Public Health and Food Safety (ENVI) Committee's rapporteur MEP Jutta Paulus has presented amendments to the proposed new regulation (COM (2019) 38 final), amending the EU MRV Regulation (EU) 2015/757 in order to take appropriate account of the global data collection system for ship fuel oil consumption data. In order to reaching climate neutrality as soon as possible and by 2050 at the

latest, the rapporteur suggests to amend the regulation in several substantial points and calls for an inclusion of maritime transport in the EU-ETS. Paulus also supports a continuation of the compulsory reporting of the parameter "cargo carried", in contrast to the Commission's proposal. Furthermore, a "Maritime Transport Decarbonisation Fund" should be established from revenues generated from the auctioning of maritime allowances under the EU-ETS. This should also support investments in innovative technologies and infrastructure to decarbonise maritime transport.

【記事 : Article】

1. International and European measures to reduce GHG emissions from shipping

Since the 2015 Paris Agreement does not cover the international shipping's GHG emissions, the International Maritime Organisation (IMO) is responsible for introducing measures to reduce the growing GHG emissions in this sector. According to the 3rd IMO GHG study, shipping is responsible for about 2.5% of global GHG and under a business-as-usual scenario these emissions could further increase between 50% and 250% by 2050. In April 2018, the IMO's Marine Environment Protection Committee (MEPC) 72 adopted the initial strategy on GHG emission reduction for international shipping. It is the first step in a three-step approach towards

achieving a reduction of GHG emissions in maritime transport.

Although the EU supports the global approach to address GHG emissions from international shipping at IMO level, the relatively slow progress in the IMO decision-making has triggered the EU's action. The European Commission elaborated a three step approach, including firstly, the monitoring, reporting and verification of CO₂ emissions from large ships using EU ports, secondly, the introduction of GHG reduction targets for the maritime transport sector and thirdly further measures, including market-based measures, in the medium to long term. The first legislative step was the introduction of a regulation on the monitoring, reporting and verification of CO₂ emissions from maritime transport (Regulation 2015/757). The regulation entered into force on 1 July 2015 and, as of 1 January 2018, it obliges ship owners to monitor CO₂ emissions for each ship on per voyage and annual basis. Based on the MRV regulation and the data submitted by the companies, the Commission will annually report to the public on emissions from maritime transport. Although the regulation does not set targets, the monitoring, reporting and verification system (MRV) is expected to bring as much as a 2 % reduction in annual EU CO₂ emissions. On 30 June 2019, the European Commission published for the first time information on the around 10800 large ships of various types, services and cargo carried, ranging from ro-ro passenger ships to bulk carriers, tankers and container ships and their CO₂ emissions when performing maritime transport activities related to the European Economic Area (EEA). This publication of information is part of the implementation of Regulation (EU) 2015/757 on the monitoring, reporting and verification of CO₂ emissions from maritime transport. Also the recent amendment to the EU-ETS Directive, in the Directive (EU) 2018/410 of the European Parliament and the Council, emphasises the need to act on shipping emissions. The Directive also states that the Commission should regularly review IMO action and

calls for action to address shipping emissions from the IMO or the EU by 2023.

Meanwhile, the IMO has reached an agreement on its initial strategy to limiting global shipping GHG emissions, and established the IMO Data Collection System (DCS), which requires owners of large ships (above 5 000 gross tonnage) engaged in international shipping and starting on 1 January 2019, to report information on fuel consumption of their ships to the flag States of those ships. Accordingly, the EU's Regulation (EU) 2015/757 on MRV of CO₂ emissions from maritime transport needs to be amended in order to align the EU's with the IMO's system.

2. The revision of the EU's MRV regulation

In its article 22, the EU MRV Regulation (EU) 2015/757 anticipated the parallel existence of the IMO's data collection system and the EU's MRV system. Article 22 of the EU MRV Regulation states that: "In the event that an international agreement on a global monitoring, reporting and verification system for greenhouse gas emissions (...) is reached, the Commission shall review this Regulation and shall, if appropriate, propose amendments to this Regulation in order to ensure alignment with that international agreement." Accordingly, on 4 February 2019, the European Commission proposed to amend Regulation (EU) 2015/757 on the MRV of CO₂ emissions from maritime transport. The main goal of the Commission's proposal (COM (2019) 38 final) was to take appropriate account of the global data collection system for ship fuel oil consumption data (2019/0017 (COD)) and to be in line with the IMO's Data Collection System (DCS) legal framework for a global data collection system for fuel oil consumption of ships.

Based on the Commission's proposal, the EU would still require ships registered outside the EU to report their data. The transparency of the EU system, unlike the IMO's DCS, is intended to prevent dirty ships to pass themselves as efficient. However, while these key aspects of the EU MRV Regulation

including the scope in terms of ships and activities are to be maintained, the Commission had to yield to pressure from the industry and the IMO in some parts of its proposal. According to the Commission proposal, the data collection on a ship's cargo, a ship's "deadweight tonnage" (DWT) should be defined and reported as a compulsory parameter. Instead the parameter "cargo carried" would not be compulsory anymore. Instead, it would only be kept as a voluntary monitoring parameter for those companies willing to provide a calculation of their ships' average energy efficiency based on cargo carried. The parameter "time at sea" should be replaced by the global IMO DCS definition of "hours underway". Finally, the calculation of "distance travelled" should take as a basis the options retained under relevant IMO DCS guidelines.

On 25 October 2019, the Finnish presidency achieved an agreement on a common position of the ambassadors of the EU Member States on the Commission proposal COM/2019/38 final. The Council agreed on partly aligning the definitions, the monitoring parameters and the monitoring plans of the EU's MRV regulation with the IMO's DCS.

However, while the European Commission's proposal intended to remove the obligation of ships to collect and report cargo data in order to harmonise the EU rules with the IMO's DCS, the EU Member States now agreed otherwise in their common position. The Council agreed to change the Commission proposal COM/2019/38 final in its Article 9, paragraph 1 (f) again and regarding the parameter "cargo carried" the EU Member States agreed to remove again the part "..., on a voluntary basis". Thereby, the Council supports the approach that the monitoring and reporting of cargo carried by a ship should remain compulsory. Furthermore, the Council also added a clause, which asks the Commission to review the functioning of the regulation. This means the companies seeking shipping services will be able to compare the individual ship's emissions and they will have the key information to choose more energy efficient ships.

3. The European Parliament's ENVI Committee rapporteur's position

Meanwhile, the European Parliament's rapporteur MEP Jutta Paulus has called on the EU to make January 2021 the date from which rules relating to the CO₂ emissions allowances to ships using EU ports should come into effect. This proposal is part of the proposed amendments that could be included into the EU's MRV revision. On 24 January 2020, the European Parliament's ENVI Committee's rapporteur Jutta Paulus submitted the "Draft Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/757 in order to take appropriate account of the global data collection system for ship fuel oil consumption data" (COM(2019)0038 – C8-0034/2019 – 2019/0017(COD)), (ENVI_PR(2020)646870).

According to Adamopoulos (2020), the proposed rules would mark the first major legally binding GHG emissions restrictions on international shipping and would affect almost 12,000 ships, which could force ship owners from various jurisdictions to change their business operations in order to comply.

The ENVI Committee's rapporteur points out that "...maritime emissions are expected to increase by 86% above 1990 levels by 2050 unless further action is taken, despite the adoption of minimum ship efficiency standards by the IMO. Without further action to integrate maritime emissions into the EU's economy-wide and domestic GHG emissions targets, the projected increase in maritime emissions seriously risks endangering efforts taken by other sectors to reach the objective of becoming climate-neutral as soon as possible and by 2050 at the latest."

Therefore, the rapporteur's amendments on the proposal would not only include changes to the data collection system's definitions and parameters. It includes also additions of emissions reductions that could have long-lasting effects on maritime transport. In her draft report, rapporteur Paulus underlines the urgency of bringing the increasing maritime transport emissions under the EU's GHG

emission targets and into the EU-ETS, as otherwise these emissions endanger the other sectors' efforts to achieve the EU's climate neutrality by 2050. Paulus proposes 34 amendments to the Commission's proposal as well as presenting new elements. These include the broadening of the scope of the EU Emissions trading scheme (EU-ETS) to shipping, the establishment of a maritime transport decarbonisation fund to foster research and development in the energy efficiency of ships and the support investments in innovative technologies and infrastructure to decarbonise maritime transport, among others.

The rapporteur also proposes that the Commission sets by 1 December 2020 the total quantity of allowances for the maritime industry, in line with other sectors, the method of their allocation through auctioning, and the special provisions for the EU Member States that will be administering them. Furthermore, the rapporteur would like to see an extension of the scope to all GHG, not only CO₂ emissions. Especially methane emissions have an enormous impact on climate change as the GHG potential of methane is 87 compared to CO₂ on a 20-year basis and therefore stricter regulation for methane is needed.

Regarding the broadening of the scope of the EU Emissions trading scheme (EU-ETS) to shipping, the rapporteur underlines that "...in light of slow and insufficient progress at the IMO... The European Parliament supported, in particular, the inclusion of the maritime sector in the Union system for greenhouse gas emission allowance trading (the "EU ETS"), as well as the introduction of ship efficiency standards at Union level." The rapporteur's amendments also emphasise that the Commission's European Green Deal of 11 December 2019 "...sets out a roadmap of key policies and measures for the Union to become the first climate-neutral continent by 2050 at the latest. The communication confirmed further action at Union level will be needed to address GHG emissions from the maritime sector, including its inclusion in the

EU ETS." The rapporteur explicitly supports this inclusion of the maritime transport unto the EU-ETS by stating that the results of the impact assessment accompanying the Commission proposal for the MRV Regulation had shown that "...all options other than an EU ETS for maritime emissions would fall short of delivering emissions reductions in a manner that would be consistent with the white paper of the Commission of 28 March 2011 entitled: "Roadmap to a single European Transport Area". Therefore, "...Directive 2003/87/EC of the European Parliament and of the Council...should be extended to cover maritime emissions." (Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L275, 25.10.2003, p. 32).) Furthermore, in accordance with the Council's agreement, also the EP's rapporteur supports a continuation of the reporting of the parameter "deadweight tonnage" alongside the parameter "cargo carried". According to the rapporteur, the reporting of the parameter "cargo carried" should remain compulsory, in contrast to the Commission proposal. This is important to actually be able to check the efficiency of a journey and to calculate the carbon footprint of the transported goods. This measure will guarantee fairness and a level playing field for all stakeholders.

Furthermore, the rapporteur proposes to establish a "...Maritime Transport Decarbonisation Fund...from revenues generated from the auctioning of maritime allowances under the EU ETS to improve the energy efficiency of ships and support investment in innovative technologies and infrastructure to decarbonise maritime transport... The Commission should also develop measures to regulate the access of the most polluting ships to Union ports and to oblige docked fossil-fuel ships to use shore-side electricity."

The amendments also include specific requirements the shipping companies should fulfil in future.

Article 1 of the regulation (COM (2019)0038, 2019/0017(COD)) should be amended as follows: “In order to contribute to achieving the Union’s commitment to reducing its domestic and economy-wide GHG emissions under the Paris Agreement, and to implement the IMO initial Strategy at Union level, this Regulation also imposes obligations on companies to reduce their CO₂ emissions per transport work by at least 40% by 2030 compared to the average performance per category of ships of the same size and type in the first reporting period as referred to in Article 8.” with an application as early as from 1 January 2021. Furthermore, the Commission should be empowered to adopt delegated acts in accordance with Article 23 by further specifying the rules for the compliance and verification of compliance, including the possibility of applying an annual linear or degressive reduction or intermediate targets up to 2030, among others.

All these provisions of this Chapter “...shall apply from 1 January 2021”. At least 30% of the revenues generated from the auctioning of those allowances to shipping companies would be used to finance a maritime decarbonisation fund that would run from 2021-2030, according to the rapporteur’s proposal. Besides the ENVI Committee rapporteur’s draft report, the Committee on Transport and Tourism sent its draft opinion on 29.1.2020 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/757. The TRAN Committee and its rapporteur Magdalena Adamowicz called on the ENVI Committee, as the responsible and leading Committee for the dossier, to take account of the TRAN Committee’s amendments. The TRAN Committee’s rapporteur Magdalena Adamowicz pointed out that amendments should be restricted to data collection and alignment with the IMO system (IMO DCS). The TRAN Committee suggested to add a new Article 22a, that the “...Commission shall review the functioning of Regulation (EU) 2015/757, taking into account the additional experience gained during the implementation of that Regulation and of the global

data collection system for ship fuel oil consumption data established by the International Maritime Organisation (IMO), in order to ensure greater compatibility between the two systems and reduce double reporting requirements. ” The TRAN Committee’s rapporteur also recalled that the competitiveness of the EU shipping industry should be considered, and that, given the global nature of maritime transport, action should be taken at international level. However, some political groups in the TRAN Committee also supported the extension of the EU-ETS to include the maritime sector, among others.

4. Outlook

In 2017, the EU decided to leave international shipping excluded from the EU-ETS for the time being and to delay any action until 2023 by when the IMO should have adopted global decarbonisation measures. However, with the presentation of the European Green Deal and the target to reach zero net CO₂ emissions by 2050, the EU’s approach has significantly changed. Based on the ENVI Committee rapporteur’s proposed opinion, the idea to include the maritime transport into the EU-ETS as been revived. These changes could be expected to have wide-ranging consequences for the shipping industry. The European Parliament reinforced the urgency for action when it declared a climate emergency by the end of 2019. It also explicitly asked the Commission to ensure that all relevant legislative proposals are fully aligned with the objective of limiting global warming under 1.5 ° C. Once the European Parliament’s ENVI Committee has agreed on the amendments to the proposal, and the Parliament’s plenary has discussed the proposed changes to the regulation and submitted its position, the Parliament, Council and Commission will start their trilogue negotiations on the final amendments and changes on the COM (2019) 38 final. Only after having reached a compromise agreement between these three parties, the reviewed regulation can be adopted. Ultimately, it will depend on the trilogue negotiations which of the

suggested amendments of the ENVI Committee's rapporteur will be included in the final version of the revised regulation.

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